



Debit Cards

Contact: Mike Townsend, ABA Public Relations (202) 663-5471 or mtownsend@aba.com

The numbers don't lie. Debit cards are one of the fastest-growing products in banking today.

- Number of debit cards in U.S.:¹
 - 2012: 530 million
 - 2009: 509 million
 - 2000: 235 million
- Total U.S. debit card transactions:²
 - 2012: 47 billion
 - 2009: 37.5 billion (worth \$1.4 trillion)
- U.S. consumers with a debit card:¹
 - 2012: 191 million (projected)
 - 2009: 183 million
 - 2000: 160 million
- Debit cards that include the Visa or MasterCard logo can be used at more than 25 million merchants worldwide.

Debit cards are becoming more popular with consumers than other payment methods—especially checks.

- Debit card payments are fast, convenient and safe. Debit cards are easier to use than checks, safer than cash and free of interest rate charges.
- In 2010, debit cards accounted for **31 percent of all payments**, more than any other type of payment, including cash (29 percent) and checks (11 percent).³
- In 2012, about two-thirds of noncash payments were made with payment cards—including debit cards—while payments by check were at 15 percent.²
- Electronic payments—including debit cards—now collectively exceed three-quarters of all noncash payments while payments by check are now less than one quarter.²
- Active debit card users performed an average of 18.3 purchases a month with their debit cards in 2011 compared with 16.3 a month in 2010.⁴
- The average debit card holder spent \$8,326 on the debit card in 2011, up from \$7,781 in 2010.⁴

Debit cards are most aligned with routine and essential retail purchases.

- The average price on a debit transaction in 2011 was \$38. The median price on a debit transaction in 2011 was \$19. More than 30 percent of debit transactions in 2011 were less than \$10.⁴
- In 2011, a survey of debit card holders indicated what payment methods they used most often for various purchases:
 - **Groceries:** 63 percent used their debit cards most often (19 percent said credit cards; 13 percent said cash).⁵
 - **Gasoline:** 50 percent used their debit cards most often (25 percent said credit cards; 13 percent said cash).⁵

Debit Cards

(continued)

- **Department Stores:** 47 percent used their debit cards most often (25 percent said credit cards; 8 percent said cash).⁵
- **Restaurant Dining:** 46 percent used their debit cards most often (26 percent said credit cards; 21 percent said cash).⁵
- **Convenience Stores:** 38 percent used their debit cards most often (11 percent said credit cards; 38 percent said cash).⁵
- **Fast Food Restaurants:** 36 percent used their debit cards most often (11 percent said credit cards; 46 percent said cash).⁵

Consumers have choices with debit transactions.

- Debit cards – which can be used with either a PIN (Personal Identification Number) or signature – are a popular, convenient and versatile form of payment.
 - When using a PIN, the money comes out of your account immediately.
 - When using signature, the transaction may take a day or two to clear, like a check.
- Some banks offer rewards to customers for transactions authorized by signature rather than PIN. Banks typically don't charge consumers for debit card transactions.
- A 2005 court settlement allowed merchants to deny signature-based transactions, but experts believe most retailers don't want to restrict their customers' payment options.

Consumers and merchants both benefit from debit card payments.

- Consumers:
 - Get protection from fraud.
 - Get protection from lost or stolen cards.
 - Get fast and convenient transactions.
 - Avoid the hassle of checks or cash.
 - Avoid the hassle of having to show I.D. as with checks.
- Merchants:
 - Avoid the costs involved with counting and protecting cash.
 - Avoid the losses that occur with bounced checks.
 - Get guaranteed payment.
 - Process payments faster than with checks, keeping customers happy.

Debit card tips for consumers:

- **Memorize your PIN.** Never store it with your card.
- **Keep your receipts; you'll need them to check your statement.** If your account number is on them, tear up or shred receipts before throwing them away.
- **Know your limits.** Many issuers limit daily purchases and withdrawals for your protection.
- **Check your bank transactions online daily.** Check your statements as soon as you receive them if you don't bank online. Make sure all payments are yours.

Debit Cards

(continued)

- **Contact your bank immediately if your card is lost, stolen, or fraudulently used.** If you are a victim of debit card fraud, your bank will always protect you by crediting your account. If necessary, they will give you “provisional credit” to cover your loss while they are investigating (See “Background” below).

Background:

Consumers have embraced debit cards as a preferred payment vehicle. In 2006, the number of debit card payments (25 billion) exceeded the number of credit card payments (22 billion) for the first time.¹ In 2010, they accounted for more payments than any other payment method, including cash.

In response to confusion over consumer liability protections, MasterCard and VISA announced in 1997 that consumers would only be liable for the first \$50, regardless of when they notify the bank of loss or theft of the card – essentially matching credit card liability rules. Later, MasterCard and VISA went one step further, imposing no liability on consumers who report fraudulent use of their card within two business days.

Even without MasterCard and VISA's new protections, under the Electronic Funds Transfer Act (EFTA), liability is limited to \$50 if the consumer reports the loss or theft two business days **after discovering** the loss or theft. After discovering this theft, if the consumer chooses not to notify the bank within two business days, EFTA caps the consumer's liability at \$500. If the consumer continues to fail to report the loss 60 days after the bank issues a statement, the consumer's liability may be unlimited, but only for fraudulent transactions made after this 60-day period. These periods can be prolonged for “extenuating circumstances,” such as vacation or illness.

Bills have been introduced in Congress mandating liability requirements. ABA opposes such mandates because they may stifle development of new technology and ignore the impact of ongoing enhancements in debit card systems. The industry has responded to consumer concerns voluntarily and believes that the free market is working.

For information on the 2012 antitrust settlement involving interchange fees, see the Interchange/Durbin Amendment page.

Sources:

¹ *Statistical Abstract of the United States*, US Census Bureau (2012).

² *The 2013 Federal Reserve Payments Study*, Federal Reserve System (July 2014).

³ *The 2010 Federal Reserve Payments Study*, Federal Reserve System (2011).

⁴ *Debit Issuer Study*, PULSE (2012). Retrieved from <https://www.pulsenetwork.com/pulse/public/about/pulse-news/press-releases/2012/debit-issuer-study.html>

⁵ 2011 Consumer Debit Research: Final Report of Survey and Focus Group Results, (October 2011). Retrieved from http://www.tsys.com/Downloads/upload/2011_TSYS_Mercator_DebitResearch_Final_2.pdf